

Disaster and Estate Planning for Small Businesses

Developed by:



Part 1 - Estate Planning and Other Topics

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Overview of Part I Workbook Sections

A step-by-step business succession plan is crucial for your family or employees in case of death of one of the business owners. Anything you can do to prepare in advance will help your family and staff in what is sure to be a challenging time.

This guide walks through the following topics:

- What do you want to happen to your business?
- Considerations for:
 - Sole Proprietorships
 - Partnerships (businesses with 2+ owners)
 - LLCs and LLPs
- Key person insurance (cross-purchase agreements; entity-purchase agreements)
- Considerations if you rent space for your business
- Resources for support with these planning efforts

The next section on Disaster Recovery is also relevant to this type of planning as it covers ensuring your family/employees know the plan of action, backup of data/key documents, etc.

Succession Planning:

Outlining Your Wishes for Your Business

What do you want to happen to your business when you die? Even though your plans may change as you age and situations change, it is important to think through these things now as life can change in the blink of an eye.

It may not be possible for someone to continue your business if you ‘sell’ something like unique art made by you. However, if you have a key community business, someone may be interested in buying your business if you pass away, generating income for your loved ones and leaving your community in a good spot.

Here are some prompts for you to consider if you would wish to terminate your business or have someone else continue your business:

1. Consider whether it is possible for the business to continue without you.
2. Are there other employees or heirs with the proper training and licensures?
3. What are the wishes of your potential successors—do they WANT to take over the business if you pass away or are incapacitated?

Take a few minutes and write down your notes:

The type of business you own determines the path succession planning will take next:

Type 1: Sole Proprietorships

Business assets are personal assets of the owner and will pass in accordance with the owner's will or through intestate succession via probate.

If the owner does not have a will and there are disagreements regarding who inherits what, a party will have to open a probate case in the local District Court.

The court will determine how assets are inherited based on the rules of intestate succession as defined in state law.

Because business assets = personal assets in a sole proprietorship, the owner's will should include their wishes for the business.

For the sole proprietor, a Power of Attorney (POA) can also be an important tool:

A POA gives an agent the power to act on your behalf while you are alive but incapacitated or unavailable.

- The "agent" can be anyone you'd like it to be as long as they are a legal adult who is "competent"
- Can give the agent broad authority or narrow authority
- Can authorize the agent to make business decisions on your behalf

Before you sign a POA, ensure that your agent is someone you REALLY trust.

Best practice is to discuss this and other estate planning documents with an attorney to ensure they are legally valid and not too broad or narrow in scope based on your wishes.

If you are a sole proprietor, write down any questions or relevant notes as a starting point before you meet with an attorney:

Type 2: Partnership

A partnership is a business entity comprised of 2+ people who have an ownership stake in the business.

A partnership is not a separate legal entity from its owners. This means partners are personally liable for the business (unless incorporated as a Limited Liability Partnership).

If you are a member of a partnership, you should review your partnership agreement (or write a partnership agreement) to ensure that it includes your wishes and your partners' wishes regarding what happens to the partnership if one of you passes away.

Considerations:

- Do you want the partnership to continue to exist as a partnership?
 - If so, you should choose a successor to step into your role as your replacement.
- Do you want your partner to buy your share of the business (become a sole proprietor)?
 - Could fund this with a cross-purchase agreement.
- You can also give your share of the partnership to your heirs without giving them a managerial role in the business. They will continue to be entitled to your share of profits (and liabilities) after your death.
- Your agreement should also consider what would happen with your share of debts and liabilities. The partners can agree to release the deceased's estate from liability.
- After you decide what will happen after one of the partners dies, the agreement should also state how the value of the deceased's shares will be determined.
 - Set formula in the agreement? Appraisal after the death occurs?

If your partnership agreement does not state the partners' wishes for after they pass, Kentucky follows the Uniform Partnership Act (Kentucky Revised Statutes Chapter 362). General rules:

- The partnership will begin the "winding up process" (settling debts and distributing assets) with the goal of dissolution of the partnership, meaning that the legal relationship between the partners ends.

- Heirs are entitled to deceased's share of assets after debts and liabilities are paid if partnership is dissolving.
- If partners agree to continue, heirs are generally entitled to deceased's share of profits.
- Estate could be liable for partner's share of debts.

If you are in a partnership, write down any questions or relevant notes as a starting point before you meet with an attorney.

Type 3: Limited Liability Company (LLC)

LLCs can be formed by one or more persons. LLCs are separate legal entities that must be formally established with articles of incorporation. Personal assets of members are typically shielded from liability.

Articles of Organization should discuss what happens when a member dies:

- Can allow for other members to buy deceased's share—could use cross-purchase agreement or entity-purchase agreement.
- Can allow or restrict heirs from automatically becoming members.
- Should include process for determining value of deceased's interest in the LLC.
- Should discuss continuity of operations—who will assume the deceased's duties in the short and long term?

If you don't make a plan, default rules apply (KRS Chapter 275):

- Majority of other members must approve successor becoming part of LLC
- Estate generally entitled to profit distributions
- Heirs not personally liable for deceased's share of debt, but deceased's share of debts will be paid from value of their ownership interest
- If single-member LLC, will dissolve in absence of Articles of Organization instructing otherwise

If you are an LLC, write down any questions or relevant notes as a starting point before you meet with an attorney:

Limited Liability Partnership (LLP)

LLPs can only be formed in Kentucky by certain licensed professionals such as doctors, lawyers, and accountants. The same thought process applies for LLPs when contemplating what happens after the death of a partner in the Partnerships section of this workbook.

If a partner in an LLP dies and the Partnership Agreement does not discuss the death of a partner, KRS Chapter 362 provides default rules:

- The partnership does not automatically begin winding up as long as, within 90 days, all other partners agree in writing to continue the partnership.
- Deceased's estate is entitled to receive the value of the deceased partner's share but not a continuing ownership stake (profits).
- Estate not liable for debts and obligations of LLP.

If you are an LLP, write down any questions or relevant notes as a starting point before you meet with an attorney:

Key person insurance and business succession

Cross-Purchase Agreement v. Entity-Purchase Agreement

Cross-Purchase Agreement: Each partner takes out a life insurance policy on all other partners. When a partner passes away, these policies will be paid out to existing partners based on the face value of the policy. Then these funds are used to buy out the deceased's share of the business at the price listed in the agreement.

Entity-Purchase Agreement: The business itself takes out one life insurance policy on each partner. This makes the business both the owner and beneficiary to the life insurance policies. When one partner passes away, the business uses the funds from the policy to buy the deceased's share of the business at the price listed in the agreement.

- Better for larger businesses

Considerations for tenants

- Under Kentucky law, the death of a tenant does not automatically terminate a lease UNLESS stated otherwise in the lease contract.
 - You do not have to sign the first draft of a lease agreement that your landlord gives you. You are free to negotiate the terms of the lease until you are comfortable with it. The landlord is also free to reject your attempts at negotiation. You should use your best judgment in deciding what protections in a lease are non-negotiable to you. You can also discuss this with an attorney, who can identify parts of the lease contract that are illegal or unfair.
- The decedent's estate will be responsible for the rent and any other obligations listed in the lease contract. However, the estate is only liable for rent that came due after the tenant passed away.
- The landlord can only deal with the deceased's court-appointed personal representative. This person is called the executor or administrator of the estate. This is the only person who has legal authority to sort out the deceased's financial obligations.
- The executor or administrator of the estate may be able to negotiate with the landlord to terminate the lease early.

What if I don't have a written lease agreement?

- In Kentucky, an oral lease agreement will be upheld UNLESS it is meant to be for a term of one year or longer.
- Oral lease agreements are still subject to KRS 383.090 and Kentucky's Uniform Residential Landlord and Tenant Act.
 - These are the laws that describe what landlords and tenants can and cannot do. Both landlords and tenants have certain responsibilities to one another as parties to a lease contract.
- This means that, if there is a valid oral lease, when the tenant passes away, their estate may have the same responsibilities as if the tenant was a party to a written lease.
- A tenant in an oral lease contract might negotiate other terms to the contract regarding their death. The tenant might do this if they are in bad health, for example.

- However, terms of an oral lease are more difficult to prove. The landlord could claim that no such negotiations took place and seek to hold the estate accountable for rent after the tenant's death.
- **Oral leases should be avoided.** Landlords may take the opportunity to act dishonestly when any provision of an oral lease contract is in dispute.

Resources

A lawyer can assist with aspects of preparedness such as:

- Formation of business entities (partnerships, LLCs, etc.)
- Meeting state requirements for formation
- Drafting operating agreements/articles of incorporation
- Estate planning
 - Will
 - Power of Attorney
 - Living Will
 - Funeral Planning Declaration

Additionally, Small Business Development Centers (SBDCs) can assist with aspects of business planning that lawyers generally cannot, such as:

- market research
- financial analysis
- organizational structure & succession
- strategic planning
- business impact assessment

SBDCs offer both one on one coaching and training programs.

Kentucky SBDC Southeastern KY:

Serving the Counties of: Adair, Casey, Clay, Clinton, Cumberland, Estill, Jackson, Knox, Laurel, Lincoln, Madison, McCreary, Pulaski, Rockcastle, Russell, Wayne, Whitley

Kentucky SBDC Eastern Kentucky:

Serving the Counties of: Bell, Boyd, Breathitt, Floyd, Greenup, Harlan, Johnson, Knott, Lawrence, Lee, Leslie, Letcher, Magoffin, Martin, Owsley, Perry, Pike, Wolfe

Kentuckiana SCORE

Affiliated with SBA. Offers mentorship programs and workshops.

Part 2 - Preparing for Disaster

Overview of Workbook Sections for Disaster

This part of the workbook is to help build, develop, and implement an individualized disaster preparedness plan for your small business. This is a starting point in the planning process to discuss, clarify and assist the business owner with how to best prepare their business for future disasters. We plan to help evaluate hazard risks, business goals, and fundamental operations within the business to help protect and recover when a disaster occurs. There is not one perfect way to create a preparedness plan, and additional items can always be added to the plan to fit any business to their specific needs, however, this will begin to help business owners think about how to best prepare for the future.

Throughout this workbook, we will discuss:

Identify

What are risk assessments and how do we identify our risk hazards? What are flood zones, and are we in one? Do we know our suppliers and distributors, and have backups prepared? This section will review the following business items: risk assessments, key resources, and operational threats.

Plan

How do you begin creating a response plan for natural disasters? Do you have a communication plan in place? This section will help the business plan for the threats and impacts identified in Section One. Additionally, you will create a list of opportunities you would like to see for your business!

Implement

Recovery and preventive planning are safety measures that will assist your businesses in minimizing disruptive operations, loss of income and most importantly, the safety of your staff and customers. This section will review the planning efforts in Section Two to take the necessary steps needed to implement the plan.

Recover

This section of the disaster planning is to address post disaster recovery. What do we do? How do we move forward? This all depends on the degree and severity of the disaster or interruption to your business. This section will review how to assist with strategies needed to return your business to normal operations as quickly as possible.

Section 1: Identify

Why do we need to do this?

The Mountain Association believes in helping find success in every business. Sometimes that involves exposing strengths and opportunities within itself. Exploring the needs of your business and knowing the greatest potential risks to your business helps to strengthen the overall foundation of operations. Time spent analyzing risks, business functions, and resources needed will be the starting foundation of the Small Business Disaster Preparedness Plan.

The following table shows a breakdown of a few natural hazards vs. man-made hazards that have been identified over the years.

Natural Hazards	Man-Made Hazards
Floods	Cyber-Attacks
Severe Thunderstorms/Hail	Arson/Accidental Fire
Tornadoes	Civil Disorder
Winter Storms	Terrorism
Landslides	War
Wildfire	Crime
Drought	Biological/Chemical Threats
Extreme Temperature	Active Shooter
Earthquakes	Supply Chain Halt/Supplier Strikes
Dam/Levee Breaks	Chemical Spills
Heavy Debris Flow	Structure Damage

This is not an all-inclusive list, as the hazards are vast throughout the world. Natural disasters are highly dependent on the location of that hazard. Man-Made disasters can affect any location with the correct environment. While we cannot prepare for everything, acknowledging these emergencies can help with building the foundation for your business to begin preparing for.

Major Kentucky Disasters (Not All Inclusive)

DR-4875-KY: 2025 (May) Tornadoes
DR-4864-KY: 2025 (April) Flooding
DR-4860-KY: 2025 (February) Flooding
DR-4663-KY: 2022 Eastern Kentucky Flooding
DR-4630-KY: 2021 Mayfield Tornado

DR-4595-KY: 2021 Eastern Kentucky Flooding
The Tornado Outbreak of 2012
DR-1818-KY: Winter Storm of 2009
Martin, County KY Coal Slurry Pill of 2000
The Blizzard of 1993

Question to Ask Yourself: Have you been hit by any of these disasters within the last 15 years? What were the significant effects to your business or to you personally?

Exercise 1.1

In the presentation, we show you an example of a flood plain map. Using one of the websites provided, answer some questions about your business.

- FEMA Flood MapService Center: <https://msc.fema.gov/portal/home>
- Kentucky Flood Hazard Portal: <https://watermaps.ky.gov/RiskPortal/>

Business Name: _____

Business Address: _____

1. Pull a map of your business location and determine if it falls into a flood zone area. If yes, what zone does it fall into?

2. Is or would your business be required to have National Flood Insurance Program (NFIP) Insurance if you are mortgaging your building?

3. Do you currently have NFIP insurance or any other related flood insurance (private)?

4. If not, why?

Exercise 1.2 Consider your business and the impacts that hazards can have on your business. Compare the table below to the Risk Assessment Matrix and circle the level of impact a disaster may have on your business

Impact to Critical Business Assets

Negligible	Marginal	Critical	Catastrophic
1	2	3	4

	Employee Safety	Business Interruption	Reputation & Image	Business Objectives
<i>Negligible (1)</i>	No or only minor personal injury; First Aid needed but no days lost	Negligible; critical functions unavailable for less than an hour	Negligible impact	Resolved in day-to-day management.
<i>Marginal (2)</i>	Injury: Possible hospitalization & numerous days lost	Client dissatisfaction, Critical functions unavailable for less than 1 day	Adverse city media coverage	Significant impact
<i>Critical (3)</i>	Serious Injury &/or long-term illness	Critical functions unavailable for one day or a series of prolonged outages	Adverse and extended national media coverage	Major impact
<i>Catastrophic (4)</i>	Fatality(s) or permanent disability or ill-health	Critical functions unavailable for more than a day (at crucial times)	Demand for government inquiry	Disastrous impact

RISK ASSESSMENT MATRIX						
	Impact to Critical Business Assets					
Type of Event / Hazard	People 1=Negligible 2=Marginal 3=Critical 4=Catastrophic	Building 1=Negligible 2=Marginal 3=Critical 4=Catastrophic	Equipment 1=Negligible 2=Marginal 3=Critical 4=Catastrophic	Data 1=Negligible 2=Marginal 3=Critical 4=Catastrophic	Inventory/Product 1=Negligible 2=Marginal 3=Critical 4=Catastrophic	Operations 1=Negligible 2=Marginal 3=Critical 4=Catastrophic
EXTERNAL HAZARDS						
Flooding	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4
Wildfires	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4
Landslides	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4
Severe Winter Storms	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4
Tornadoes	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4
Earthquakes	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4
	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4
	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4
	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4
INTERNAL HAZARDS						
Fire	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4
Theft	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4
Loss of Data Management	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4
Power Outage	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4
Utility Loss (gas, water)	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4

Exercise 1.3 Additionally, you will need to have all contact information for your primary suppliers and distributors along with backup suppliers and distributors included in your Small Business Disaster Preparedness Plan. Fill in the information for your primary/backup suppliers and distributors below.

Primary Supplier:	
Address:	
Contact Name:	Phone #:
E-mail:	Account #:
Materials Supplied:	
Primary Supplier:	
Address:	
Contact Name:	Phone #:
E-mail:	Account #:
Materials Supplied:	
Primary Distributer:	
Address:	
Contact Name:	Phone #:
E-mail:	Account #:
Materials Distributed:	
Primary Distributor:	
Address:	
Contact Name:	Phone #:
E-mail:	Account #:
Materials Distributed:	

Now that you have established the risk matrix index on your suppliers and distributors, you can now determine if you have back-up supply and distribution chains available in the event of emergencies or disasters. Your back-up sources should ideally fall into separate regions from your primary sources to ensure higher chances of availability when needed.

Backup Supplier:	
Address:	
Contact Name:	Phone #:
E-mail:	Account #:
Materials Supplied:	
Backup Supplier:	
Address:	
Contact Name:	Phone #:
E-mail:	Account #:
Materials Supplied:	
Backup Distributor:	
Address:	
Contact Name:	Phone #:
E-mail:	Account #
Materials Distributed:	
Backup Distributor:	
Address:	
Contact Name:	Phone #:
E-mail:	Account #:
Materials Distributed:	

Having this list readily available during an emergency or a disaster will allow you to contact your primary and backup suppliers and/or distributors immediately to coordinate the needs of your business. These tables should be updated every time there is a change in supplier or distributor and should be available to all staff responsible for decision making within your organization.

Section 2: Plan

Why do we need to plan?

During Section 1, we were able to identify the goals, critical functions to establish those goals, and the imminent hazards that your business and supply chains are vulnerable to. This section will allow you to plan and prepare for when these hazards become a reality.

At the end of this packet, we encourage you to take time to complete a simplified Business Impact Analysis/Assessment (BIA) on your business. You will find this in **Appendix A**. This will help you understand the financial impact a disaster can have on your business.

Type of Plans You Can Utilize:

Emergency Response Plans

Emergency Response plans can be as simple or as detailed as you want to make it. The objective is to establish a plan to use during a disaster or hazard with a protocol that your organization will do. Emergency response plans provide a composition of procedures that are designed for your business needs.

You will want to create an emergency response plan for your most vulnerable hazards that your business may experience.

Emergency Communications Plan

Having a communication plan is critical for your business. An emergency communication plan can assist communication between your staff, distributors, customers, and the public. During an emergency or a disaster, it's possible to experience cell and internet services to be down. Providing a hard copy of the following communication plan could be beneficial.

Prevention Initiatives

We always need to think of when, not if, a disaster will occur again. Being proactive is the best resource you can provide for your business. Prevention can assist in stopping or mitigating damage and costs, assisting with a quicker recovery time.

Exercise 2.1 - Having information about your business readily available for you and your staff is a crucial part of preparing for a disaster. Complete the information on the following pages to the best of your ability now:

ABOUT THE ORGANIZATION

PRIMARY LOCATION		
ORGANIZATION NAME		MISSION
STREET ADDRESS		
CITY, STATE, ZIP CODE		
TELEPHONE NUMBER		
PRIMARY CONTACT		ALTERNATE CONTACT
PRIMARY EMERGENCY CONTACT		ALTERNATE EMERGENCY CONTACT
TELEPHONE NUMBER		TELEPHONE NUMBER
ALTERNATE TELEPHONE NUMBER		ALTERNATE TELEPHONE NUMBER
E-MAIL ADDRESS		E-MAIL ADDRESS

EMERGENCY CONTACT INFORMATION - DIAL 911 IN AN EMERGENCY	
NON-EMERGENCY POLICE	ELECTRICITY PROVIDER
NON-EMERGENCY FIRE	INSURANCE PROVIDER
OTHER (E.G., PROPERTY MANAGEMENT)	WASTE REMOVAL

POISON INFORMATION CENTER	OTHER (E.G., IT SUPPORT CONTRACTOR)

Exercise 2.2 – This exercise will assist you with organizing your business continuity and develop recovery planning teams. This is about the staff at your business that would play critical roles in the following sections.

BUSINESS CONTINUITY AND RECOVERY PLANNING TEAM

The following people will participate in business continuity and recovery planning.

NAME	POSITION	EMAIL

Coordination with Others

The following people from outside our organization will participate on our emergency planning team.

NAME	ORGANIZATION/BUSINESS	PHONE

Meeting Schedule

The emergency planning team will meet on a regular basis once a disaster has been declared on a federal level or by the Mountain Associations President within an internal level.

DATE	LOCATION	TOPIC

Exercise 2.3 – Fill out the table below with all critical operations information. This section is important as it will provide information on certain departments and basic procedures to make their part of the recovery process minimal.

CRITICAL OPERATIONS

OPERATION:	ONLINE FILE / SYSTEM RESTORATION	
STAFF IN CHARGE (POSITION)	STAFF IN CHARGE (NAME)	
KEY SUPPLIES/EQUIPMENT	KEY SUPPLIERS/CONTRACTORS	
PROCEDURES TO RESTART OPERATION AFTER MINIMAL DISASTER IMPACT		
PROCEDURES TO COMPLETELY RESTORE OPERATION AFTER SIGNIFICANT DISASTER IMPACT		

OPERATION:	HUMAN RESOURCES	
STAFF IN CHARGE (POSITION)	STAFF IN CHARGE (NAME)	
KEY SUPPLIES/EQUIPMENT	KEY SUPPLIERS/CONTRACTORS	

PROCEDURES TO RESTART OPERATION AFTER MINIMAL DISASTER IMPACT

PROCEDURES TO COMPLETELY RESTORE OPERATION AFTER SIGNIFICANT DISASTER IMPACT

OPERATION: PHYSICAL SPACE RESTORATION

STAFF IN CHARGE (POSITION)

STAFF IN CHARGE (NAME)

KEY SUPPLIES/EQUIPMENT

KEY SUPPLIERS/CONTRACTORS

PROCEDURES TO RESTART OPERATION AFTER MINIMAL DISASTER IMPACT

PROCEDURES TO COMPLETELY RESTORE OPERATION AFTER SIGNIFICANT DISASTER IMPACT

<div> <div>OPERATION</div> <div>:</div> </div>		KEY PROGRAMMING AND COMMUNICATIONS	
STAFF IN CHARGE (POSITION)		STAFF IN CHARGE (NAME)	
KEY SUPPLIES/EQUIPMENT		KEY SUPPLIERS/CONTRACTORS	
PROCEDURES TO RESTART OPERATION AFTER MINIMAL DISASTER IMPACT			
PROCEDURES TO COMPLETELY RESTORE OPERATION AFTER SIGNIFICANT DISASTER IMPACT			

Exercise 2.4 – Complete the table below to assess what you would like to see for your business. You can think small or big! There is always an opportunity to get funding through grants, loans, or other business funding to get you to where you need to be. Having the list ready will make finding funds easier.

Consider preventative measures as a wish list or a set of ideas you have for your business. What would you like to see your business have? What will contribute to keeping your business recovering faster? How can you ensure your staff is prepared for the next disaster?

Scenarios to consider:

- Infrastructure Failure
- Road Construction
- Natural Disasters

Solutions/Ideas:

- Back-Up Generators
- Solar Energy
- Company Vehicle

[illegible]

Section 3: Implement

Why do we need to implement?

So how do we implement these concepts from Section 2? Recovery and preventive planning are safety measures that will assist your businesses in minimizing disruptive operations, loss of income and most importantly, the safety of your staff and customers. Planning is useless if the practices and procedures are not implemented and practiced routinely.

Be aware with Risk Management!

All businesses face risks, both internally and externally. You identified hazards and assessed the needs of your company. You have been able to establish protocols in the event of a disaster. These are risk management steps to help reduce, minimize, and control the impacts that your business could face. You will need to always update your protocols as needed, with a minimum of once annually.

Training

Training is key to ensuring your staff are aware of what to do and who is responsible for it. Add this workbook to your new hire orientation. This allows your team to see the company culture you are setting for their safety and for your business.

Testing and Exercise: Practice Makes Perfect

Never be afraid to run through your procedures with exercises. Who is responsible for calling all staff and ensuring their safety in an emergency? Once a quarter, have them do the phone log and record it! When an emergency or disaster hits, your staff will not have to think about their roles and responsibilities, as their habits will kick in. Practice testing your staff on scenarios and what to do! Offer a prize or an incentive if they can guess correctly. There are many ways to engage your team with preparedness plans.

Section 4: Recover

What do we do now?

You have assessed your business! That is the first step. You have developed plans, assigned responsibility to your staff, and you are actively going to practice your roles. Now when a natural disaster happens, you have a plan to assist with the recovery process. The true extent of a natural disaster can never be predicted, however, knowing you have a basis on what to do is a critical step towards protecting and recovering quickly and efficiently.

This section of the disaster planning is to address post disaster recovery. What do we do? How do we move forward? This all depends on the degree and severity of the disaster or interruption to your business.

Recovery Strategies!

Every disaster you experience may require a different response. One disaster may affect a distributor who cannot reach you, or you cannot maintain production until the electricity is turned back on. These types of disruptions can affect your business functions and resources allotted. By having a basic strategy in place, you can work towards resuming normal business operations as quickly as possible. Do you have a **business continuity plan** in place? This plan specializes in outlining how your business will continue to operate during and after a major disruption. It will assist with minimizing downtime, protecting your assets, and returning your business to normal operations as quickly as possible.

Things to consider:

- Do you have a back-up location to work from if your current location is unusable?
- Do you have back-up resources to assist with continuing operations?

After a disaster, you should always review the process that your business followed. Was there something valuable you could have used or better steps to your emergency preparedness plan? Making changes to strengthen your business and reduce future exposure is necessary to adapt to future disasters.

Insurance

Does your business have insurance? Are you required to have flood insurance? These are important questions to ask as insurance is a key part of the recovery process after a disaster. If you have insurance, take the time to review what it covers now that you have

completed this workbook. Do you have room to evaluate and increase the size of your policy and the coverage it contains? Take photos of your business' current conditions, including each room and major equipment, and ensure they are stored away for access in a disaster. Update these photos once a year to ensure anything you modify or add is accounted for. Have a list of equipment (including electronics, printer, machinery, etc) always documented for damage and replacement after a disaster.

If you still need recovery funding after your insurance coverage is met, you could also qualify for Small Business Administration (SBA) loans that are targeted specifically for post-disaster recovery needs.

Business Interruption Insurance

Business Interruption Insurance will assist with covering the loss of income and expenses when businesses are unable to continue operation from an event or disaster. This insurance could help with keeping businesses maintain operating expenses and continue business continuity. Potential expenses may cover:

- Lost Income
- Mortgage, Rent, Lease Payments
- Staff/Employee Payroll
- Relocation Costs/Expenses
- Utilities
- Additional Items (Taxes, Loan Payments, etc)

This insurance will NOT cover flood damage, undocumented income, or pandemic related disasters. This is a good option to consider, and you would want to have a conversation with your insurance provider on the different options your business may qualify for under business interruption coverage.

Small Business Administration Disaster Assistance

SBA offers loan-interest disaster loans to assist renters, homeowners, and business recover from declared disasters. SBA Disaster loan is for:

- Businesses of all Sizes
- Homeowners
- Renters
- Private Nonprofit Organizations

To apply for an SBA Disaster loan:

- You must be located within a declared disaster loan and meet the eligibility requirements on that specific type of loan.
- Losses not covered by insurance or funding from the Federal Emergency Management Agency for both personal and business.
- Business operating expenses that could have been met had the disaster not occurred.

Type of SBA Disaster Loans:

- **Physical Damager Loan** – to cover repairs and replacement of physical assets damaged in a declared disaster.
- **Mitigation Assistance** – funding to make improvements to eliminate future damage.
- **Economic Injury Disaster Loan** – to cover small business operating expenses after a declared emergency.
- **Military Reservist Loan** – to help eligible small businesses with operation expenses to make up for employees on active duty.

Additional information on SBA disaster loans can be found at:

<https://www.sba.gov/funding-programs/disaster-assistance>

Mountain Association Recovery Loan

Our recovery loan is:

- **Directly Impacted** - 0% interest for the first twelve months and then 3.75%.
- **Indirectly Impacted** – 0% for the first six months and then 3.75%.

Indirect impacts means that business operations or sales were harmed or reduced due to disaster impacts on the community. For example, if the water was off and a restaurant had to close as a result; if the business owner sustained damage of their residence that reduced time available for business activities; if sales were down due to disaster-related impacts at the community level, etc.

Additional information for the Mountain Association Recovery Loan can be found at:

<https://mtassociation.org/recovery-loan/>

Cerf+ (Craft Emergency Relief Fund)

If you are a craft artist small business who has been affected by a disaster, you have two possible funding opportunities through Cerf+:

- **Get Ready Grant:** to \$1,000 for activities to safeguard their studios, protect their practices, and prepare for emergencies. Priority is given to applicants that have been underrepresented in the craft community including BIPOC and folk/traditional artists. There is an open window timeframe to apply for this grant. Visit their webpage for additional information.
- **Emergency Relief Grant:** \$3,000 Emergency Relief Grants to craft artists who experienced a recent and substantially disruptive emergency or disaster.

Additional information for the Cerf+ Grant opportunities can be found at:

<https://cerfplus.org/grants/>

Resources

AppalReD Legal Aid

<https://www.ardfky.org/>

Central Intake Hotline: 866-277-5733

Disaster Intake Hotline: 844-478-0099

Email: DisasterTeam@ardfky.org

Mountain Association

<https://mtassociation.org/>

Small Business Administration

There are many resources that the SBA provides for emergency preparedness and recovery. There are checklists, additional information on financial assistance, protocols for applying for federal funding and more. <https://www.sba.gov/>

Small Business Development Centers

SBDCs are a great resource that can assist with planning and recovery. They offer tools and templates to utilize for your business and are able to assist with finding a local SBDC in your area. <https://americassbdc.org/>

Appendix A - Business Impact Analysis (BIA)

Planning takes time and effort. Preparing is knowing what the effects would be during a disaster so that you may respond quickly. In section 1, you identified risks that your business may face. Now you must know the consequences of your business through a business impact analysis (BIA) based on what you know.

We all know that time is crucial for a business. Any disruption can cause time and money to be lost. To prepare for an unexpected disaster, the best way to prepare is to know. Do you feel confident in your business to respond quickly if your operations are affected?

Business Impact Analysis

Disaster Issue	Impacted Function	Impacted Resource	Recovery Time Estimates	Operational Impact	Financial Impact
Ex: Power Loss	Production	Equipment	1 day	Services Stopped	\$500(day) - \$3500(week)
	Communication	Systems & Phones	1 day	Cannot take orders	\$250(day) - \$1750(week)
Notes:					

TECHNOLOGY HARDWARE Inventory Form

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